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21 June 1966

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MEMORANDUM FOR THE RECORD

SUBJECT: Meeting of the USIB Ad Hoc Working Group on Soviet Military Expenditures

1. Date of Meeting:

0930 - 1145 hours 16 June 1966

2. Place:

4G20 CIA Headquarters

3. Persons Present:

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[REDACTED] (Chairman) - CIA made introductions and started the meeting prior to leaving for a USIB meeting.

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Dr. Kilmarx - Air Force

[REDACTED] - DIA

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Mr. H. Wiediman - State

[REDACTED] NSA

Cdr. Butts - Navy

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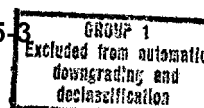
[REDACTED] - CIA

[REDACTED] - CIA

4. Purpose of the Meeting:

To discuss General Thomas' proposal that a subcommittee of USIB be charged with monitoring the methods and techniques used in the application to (military) planning of foreign economic intelligence, especially costing, to see if more suitable types and modes of presentation of such intelligence would facilitate planning processes, and to examine the adequacy of qualifications accompanying the production and dissemination of finished foreign economic intelligence and estimates to include NIE's, to insure that users are adequately informed about reliability, validity, methodologies, and data gaps. The chairman of the EIC requested that the Chairman of the Ad Hoc Working Group on Soviet Military Expenditures for NIPP-66 refer this proposal to the working group for consideration and comment.

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a. Most of the meeting was devoted to a presentation by Dr. Kilmarx in which he presented in detail the Air Force's contention that cost estimates were being misused. Dr. Kilmarx started with a discussion that cost data were used in a manner not warranted by the validity of the inputs. His examples were from JCS studies. He indicated the need for a more thorough investigation of how cost estimates are being used. He recognized that the use of cost estimates might be one which "transcends" the intelligence community.

b. Mr. Wiediman commented that the Air Force was concerned with two problems: First, the validity of the economic input and Second, the use of the economic product in an unacceptable manner. He posed the question, "If the economic data were accepted as correct, would the Air Force still be concerned with what it considers to be the misuse of such data?" Dr. Kilmarx stated that the problem would still exist in so far as costs were used to contribute to problems of non-economic concern such as moving from costs to performance and the use of "reaction costs".

Mr. Wiediman then commented that the criticism being made was really one of Systems Analysis. Dr. Kilmarx commented that General Thomas did not wish to single out systems analysis but wanted to consider the whole problem of the use of cost estimates as inputs into planning.

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c. [REDACTED] (DIA) stated that the working group should concern itself with whether or not the intelligence data used is at fault.

d. Dr. Kilmarx concluded his presentation with the following recommendations:

(1) It is desirable for the intelligence community to probe more deeply into the derivation of costs. There is a need for improved methodology and explanation of the methodology and limitations on the use of cost estimates i.e., better communication.

(2) Other working group members should examine their relationships with the users of economic data in order to provide a better data base prior to making a recommendation to the Chairman of the EIC.

(3) When gaps in the intelligence are found contractual arrangements should be made for filling them.

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5. Summary of Comments:

a. There was general agreement that there has been an improvement in communications between the producers and consumers of expenditures estimates. It was also agreed that there is a need for further improvement in such communication.

b. There was a general agreement that the user of cost estimates should be provided with more detail on methodologies involved and on the limitations on the use of such estimates.

c. It was recognized that the intelligence community will continue to receive requests for expenditures estimates.

d. The problem of supervising or reviewing the use of expenditures estimates by planners was recognized as being one that probably transcends the intelligence community.

5. It was agreed:

a. That the members of the working group would be prepared to summarize their agency positions on recommendations to be made to the EIC. These recommendations are to be presented at the next meeting of the working group.

b. That the Chairman of the working group should draft a letter to the Chairman of the EIC making recommendations in response to the Air Force proposal. This draft will be made available to working group members prior to the next meeting and will be a point of departure for discussions on recommendations to be made to the EIC.

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Acting Chief, Programs Division, ORR

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